



# The APPRAISER

A PUBLICATION OF THE ARKANSAS APPRAISER LICENSING & CERTIFICATION BOARD

Volume 12, Number 3

Spring Issue

March 2, 2004

## Opinion of Value

By Scott McKennon,  
Board Chairman

I consider it an honor and a challenge to have been elected the Board's 2004 chairman at its January meeting. Richard Stephens was chosen vice chair.

For the last two years, the Board has had excellent leadership under the chairmanship of Tom Scott. The challenge for me is to continue the level of leadership Tom provided.

The Board will continue to address several issues in 2004, two of which I want to discuss in this column: complaints and regulation changes.

In 2002, the Board received 39 complaints against appraisers — a record. Last year, the record was shattered when 50 complaints were filed — a 28 percent increase!

Why is the number of complaints mushrooming? I have no definite answer, but I do have some thoughts about it.

Whether true or not, it has been brought to the Board's attention that certain Secondary Market Lenders are filing complaints against appraisers when they have loans "go south" and they find themselves in a loss position.

See **Value**, page 5

## April Seminar Goes 'On the Road'

The annual "Day With the Board" seminar at which appraisers earn 7 hours of continuing education credit has grown so much in the last decade that a new approach had to be tried this year — adding a session to be held in Northwest Arkansas.

In conjunction with the Northwest Appraisal Section, the state Appraiser Licensing and Certification Board will sponsor the first of two seminar sessions on Thursday, April 15 at the Embassy Suites, 3303 Pinnacle Parkway, Rogers. The second session is scheduled Tuesday, April 20, at the Wyndham Riverfront Hotel in North Little Rock.

Highlighting the program in Rogers will be Doug Hodge, an appraiser/instructor operating out of offices in Michigan and Colorado. He will address the question, "Where did that number come from?" His comments will give the appraiser practitioner the tools needed to develop and defend that number. Hodge is a certified instructor for the American Society of Farm Managers and Rural Appraisers.

See **Seminar**, page 4



CHANGING OF GUARD - Tom Scott of Little Rock, left, turns over the chairman's gavel for the Arkansas Appraiser Licensing and Certification Board to Scott McKennon, center, after the agency's January meeting. Richard A. Stephens of Little Rock, right, was elected vice chairman. See article, Page 2.

## THE APPRAISER

Publication of the Arkansas Appraiser Licensing and Certification Board, Room 430, 101 East Capitol Ave., Little Rock, Arkansas, 72201.

Telephone (501) 296-1843

Fax (501) 296-1844

E-mail - [ALCB@mail.state.ar.us](mailto:ALCB@mail.state.ar.us)

Website - [www.state.ar.us/alcb](http://www.state.ar.us/alcb)

Nikki Bradley ..... Fayetteville  
C. Wayne Coats ..... Conway  
Richard Gillespie ..... Little Rock  
Scott McKennon ..... Forrest City  
Fred Rausch ..... Fort Smith  
Virginia Risinger ..... Strong  
Isaac Ross ..... Little Rock  
Thomas Scott ..... Little Rock  
Richard Stephens ..... Little Rock

All inquiries, including those about copy deadlines, should be directed to the above address and telephone number to:

**Jim Martin** ..... Editor

Technical editing by:

Carol Griffie

Editorial Services, Inc.

Little Rock, Arkansas

SUBSCRIPTION: \$10 a year

"The Appraiser" is seeking timely articles or comments on practical appraisal subjects of interest to both residential and nonresidential appraisers from appraisers, lending institutions, and other mortgage lenders. The articles or letters should be sent to the Board's office at the above address.

Entered as second class matter:

United States Postal Service

Little Rock, Arkansas 72201

# Board Elects McKennon, Stephens as 2004 Officers

The Arkansas Appraiser Licensing and Certification Board elected new leaders for 2004 at its January meeting.

Scott McKennon, a Certified General appraiser employed by Farm Credit Services, was chosen chairman succeeding Tom Scott of Little Rock. McKennon, who has the distinction of being the second longest serving Board member, previously was vice chairman.

Richard Stephens of Little Rock, an Appraisal Institute member and a 2003 appointee to the Board, is the new vice chairman.

As chairman, McKennon is responsible for organizing the Board's three standing committees, and he made these appointments or reappointments to them:

**Budget and Finance Committee:** Richard Gillespie, chairman; Nikki Bradley, Richard Stephens, and Isaac Ross.

**Education, Examination, Experience Review Committee:** Richard Stephens, chairman; Nikki Bra-

dley and Fred Rausch. (This is the Board's most active committee with responsibilities for reviewing and approving all education offerings, interviewing licensure applicants and reviewing samples of work products.)

**Rules, Regulations and Policy Committee:** Virginia Risinger, chairman; Fred Rausch, Wayne Coats, and Tom Scott. McKennon grew up near Morrilton in the Arkansas River Valley on a cattle, soybean, wheat and milo farm. After graduating from Arkansas Tech University in Russellville in 1982, McKennon went to work for the White River Production Credit Association in its Newport office. He has worked for Farm Credit Midsouth for 20 years. He received the American Society of Farm Managers and Rural Appraisers' highest designation, ARA, in November 1991. Stephens's Little Rock business, Richard A. Stephens & Associates, provides appraisal services for a wide array of both public and private entities, and he is qualified as an expert to testify in courts.

Over the years, he has been certified to teach numerous appraisal courses, the most recent being the USPAP Update. He had his initial exposure to appraisals that he found were "all over the board in terms of professional quality" before the savings and loan crash when he was assistant supervisor of accounting for the Teacher Retirement System.

Stephens' wife, Sara, is a certified appraiser, having found a second career after retiring from teaching school.

## Oops!

An error was made in a recent mailout to "all appraisers" about significant changes in the revised 2004 USPAP relating to the comments under Standard Rule 2-2 (c) (ix) on the review of restricted reports.

The correct reading is that in the '04 edition, comments to SR 2-2 (c) (ix) no longer contain the wording that *"the review of a restricted use appraisal report in compliance*

*with Standard 3 is not possible without the reviewer having benefit of the information retained in the work file."*

The "bottom line" of this is that a reviewer of a restricted report no longer is required to have the original appraiser's files in order to perform the review.

If in doubt, refer to the entire comments under Standard 2-2 (c) (ix).

## 50 Complaints Filed in 2003

Fifty complaints were filed against Arkansas appraisers in 2003. Of these, 15 were lodged anonymously.

I am continuing to monitor work products selected from the monthly logs submitted by 16 individuals. We often find that those who have had their work products monitored and who finished their required education feel the experience has been beneficial.

We have heard several times from an anonymous "concerned appraiser" who appears to be sincerely trying to improve the quality of the appraisal practice in Arkansas. This person, however, may need to revisit some of the facts being alleged. One error that seems to frustrate this individual is the History Search for Comparable Sales. It should be noted that Standards Rule 1-5 contains binding requirements from which departure is not permitted. It states:

*In developing a real property appraisal, when the value opinion to be developed is market value, an appraiser must, if such information is available to the appraiser in the normal course of business:*

*(a) analyze all agreements of sale, options or listing of the subject property current as of the effective date of the appraisal; and*

*(b) analyze all sales of the subject property that occurred within the three (3) years prior to the effective date of the appraisal.*

Now a client may ask the appraiser to do a three-year sales history search on all the comparables, but USPAP does not require it.

Other concerns include adjustments for "bathrooms," "car storage," "quality of construction," etc., which are considered by the "concerned appraiser" to be subjective adjustments. The definition of "sub-

jective" the "concerned appraiser" is using probably is the fourth one in the American Heritage Dictionary, which states "Existing only within the experimenter's mind and incapable of external verification." While adjustments of this nature are based most appropriately on "paired sales," there is always some subjectivity in an appraiser's conclusions. This is what they are being paid for! They were not hired to pull figures out of the air but to use years of experience and judgment combined with facts and figures to produce a viable estimate of value.

I am not encouraging anyone to just use subjective thinking, but if appraisals were based only on exact black and white figures, the market would just need a chart, not a well-educated and experienced professional to arrive at a value! ONLY after a thorough discussion with the client about information and data desired and needed for the client to understand

the report and how the value was derived.

A Restricted Use Report may not be used for lending purposes because more persons than the client will have access to the report and will rely on it.

A Restricted Use Report may not be used for any purpose where parties other than the individual client will be relying on the report. Neither is a Restricted Use Report appropriate for an uninformed user.

An example of a typical appropriate use of a Restricted Report might be for a long-time property owner who is familiar with the subject property, its neighborhood, condition, and potential, but who is not sure of its current value and needs this information for personal planning purposes.

Pages 154 and 158 of USPAP 2004 Edition help explain when a Restricted Use Report is appropriate and what each of the options should include.

### Note-Worthy

As regulators, we too often become so overwhelmed by the negatives of administration and complaint processing that we fail to recognize the good results that may accrue over time. This is why the Board and its staff want to share excerpts from two notes received recently.

A Little Rock appraiser wrote: "I wanted to drop you a line and let you know that I have greatly benefited by the Board's recommendation of the 15-hour USPAP course and the keeping of an appraisal log for 90 days. During my non-judicial conference, I was not aware of my de-

ficiencies in my record keeping. I now keep all pertinent information, including detailed field notes and have since referred to these notes a number of times and now wonder how I ever got along without keeping this information." He added: "I learned more in the USPAP course I attended than the three previous courses, so I can honestly say the whole experience was very beneficial."

Another appraiser sent a card in which she informed the staff she had passed her test and to "thank you for the time you took to interview me and for the suggestions you made concerning my appraisal work."



**Seminar from page 1**

The morning emphasis on specific appraisal issues will be followed by Dr. Jeff Collins with the University of Arkansas' Economic Research and Forecast Center at Fayetteville who will bring the participants an overview of current economic trends and forecasts impacting the nation, state, and Northwest Arkansas.

The North Little Rock session will feature guest lecturer Sherryl Andrus, an appraiser instructor from Sheboygan, Wis., who will focus on giving participants a better understanding of and the importance of developing a "scope of work" consistent with the intended use of the appraisal assignment. Andrus owns Quality Appraisal and

Data Services in Sheboygan and holds the Appraisal Institute's SRA designation.

At the NLR session, Special FBI Agent Drew McCandless, who has been assigned to the white collar crime squad in Little Rock for the 7 1/2 years he has been with the agency, will share some observations gained from investigating and helping prosecute numerous fraud cases. McCandless is an Idaho native who received his degree in accounting and finance and is a C.P.A.

The afternoon program at both sessions will consist of breakout sessions by property types followed by a panel discussion by Board members. The property breakdown will be farm/farmland/commercial in one group and residential in another with yet a separate breakout for State Registered appraisers-in-training to discuss problems they are encountering.

Each breakout session will have a cameo appearance by former Board member David Reinold of Russellville, who will address some of the significant changes in the Uniform Standards of Professional Appraisal Standards (USPAP) 2004 edition.

Proposed rule changes, disciplinary trends, and emerging issues will be discussed by the Board panel. Participants will have an opportunity to ask questions that will be fielded by Board members and staff.

Enclosed with the newsletter is a registration form that can be used for either session. A separate form should be sent for each appraiser who plans to attend. A mailout promoting the seminar sessions will be distributed soon. Participants are encouraged to register early and to make any necessary hotel reservations well in advance.

## Education Offerings

### Arkansas Chapter of The Appraisal Institute

Contact Jennifer Coleman at (501) 227-5781.  
All classes held in Little Rock.

### The Columbia Institute

Contact 1-800-531-5333 for more information. Little Rock courses:

"016 - Mold Insights," 5 hrs.;  
"101 - National 1-day USPAP," 8 hrs.;  
"111 - New Fannie Mae," 8 hrs.; and  
"118 - Appraisal Insights," 8 hrs.,  
scheduled March 9-12 and again May 7-10.

### Lifetime Learning

Contact Dennis McElroy at (417) 887-2221.  
All classes held in Springfield, MO.

### The Lincoln Graduate Center

Contact 1-800-531-5333 for more information.

### McKissock, Inc.

Contact 1-800-328-2008. April classes:  
Fayetteville April 13-16; Little Rock, April 17-20; Jonesboro, April 21-24; and  
Little Rock again, June 4-7.

Classes are: "USPAP, Appraising the Oddball, Residential Construction," and  
"Does My Report Comply With USPAP?"

### National Association of Independent Fee Appraisers

Contact 1-800-335-1751 for more information.

### RCI Career Enhancement

Contact David Reinold (479) 968-7752.

"National USPAP" course, 7 hours CE, March 5 in Jonesboro and April 2 in  
Branson, MO.

### University Seminars, Inc.

Contact Mickey Lee at (870) 731-8008 for additional course schedules.  
All classes held in Benton. "Basic Farm Appraisal," 15 hrs. QE/CE on March  
5-6; "Marshall & Swift Residential," 15 hrs. QE/CE on March 12; "Advanced  
Farm Appraisal," 15 hrs. QE/CE on April 9-10.

**Value** from page 1

Second, now that the Board has a full-time investigator on staff, it could be that the public is knowledgeable about this and feels the need to file more complaints.

The third reason might lie with the fact the Board now accepts anonymous complaints, a concept I view as a double-edged sword. The positive side of this is that an appraiser/citizen, especially in "small town Arkansas," now feels free to file a valid complaint without fear of possible backlash. But the negative side of the concept is the appraiser/citizen also is afforded the opportunity to file valid or invalid complaints motivated by vindictiveness or spite. The Board suspects this happened during 2003.

Please remember the old saying that "If you live in a glass house, it is not wise to throw rocks at your neighbors."

With that said, I am by no means encouraging appraisers in Arkansas to stop filing complaints. If you know of an appraiser who has pro-

duced a report that you believe harmed the public, I strongly urge you to file a complaint!

Concerning regulation issues before the Board, it is proposing significant changes in **Qualifying Education and Continuing Education**. The current rule states an appraiser can receive 25 percent (7 hours) of his/her CE credit via distance education, i.e., the Internet. **No Qualifying Education credit is given at this time for distance education.**

The proposed rule change will allow an appraiser to obtain all of his/her CE and QE credits via distance education subject to certain criteria/monitoring the Board will put into place.

This proposal will be posted for public comment, and any opinions or thoughts on the changes will be appreciated.

Finally, the 11th annual "Day With the Board" seminar is approaching fast, and I look forward to seeing you in Rogers on April 15 or in North Little Rock on April 20.

**STATUS REPORT**

As of Feb. 1, 2004, Board records show these totals for appraisers:

State Certified General .....	412
State Certified Residential .....	329
State Licensed .....	127
State Registered .....	326
(Includes Temporary and Non-Resident Appraisers)	

**Next Licensing and Certification Exam**

**OCTOBER 3, 2004**

*Deadline To Apply is  
Aug. 2, 2004*

Potential applicants should contact the Board's staff for current information relating to application process, exam schedules, fees, and other licensing inquiries by calling (501) 296-1843, or visiting its website at [www.state.ar.us/alcb](http://www.state.ar.us/alcb) or write the Appraiser Licensing and Certification Board office at 101 E. Capitol Ave., Suite 430, Little Rock, AR, 72201.

**Questions & Answers**

*(EDITOR'S NOTE: The Appraisal Standards Board does not set new standards or interpret existing ones. ASB responds to questions raised by regulators and individuals in an effort to illustrate the applicability of the Uniform Standards of Professional Appraisal Practice (USPAP) in specific situations and to offer advice on resolving appraisal issues and problems.)*

**QUESTION:** I recently reviewed an appraisal report. As part of the assignment, I developed an opinion of value that was different from the value in the appraisal report. I understand I must provide a signed certificate for the review under Standards Rule 3-3. However, the language in Standards Rule 3-2 seems to suggest that I also am required to pre-

pare an additional certification to comply with Standards Rule 2-3. Are two certifications necessary?

**ANSWER:** No, you are not required to provide two certifications in an appraisal review assignment that included reporting your own value opinion. In USPAP, this is addressed in the Comment to SR 3-2(d), which was revised for 2004. The revision underscores that whenever a reviewer provides a value conclusion different from the value opinion in the report under review, **it is only the data and analyses provided by the reviewer that must be consistent with the applicable reporting Standard.**

**QUESTION:** I am employed at a firm at which my reports are reviewed by a supervisory appraiser. The supervisory appraiser recently

asked me to make changes to a report that resulted in a value opinion with which I do not agree. I am not comfortable signing the amended report. What are my obligations under USPAP?

**ANSWER:** You must not sign the report or the certification if the report does not represent your own opinions and conclusions. Standards Rule 2-3 states that any appraiser signing an appraisal report must sign a certification that contains a statement similar to: "I certify that to the best of my knowledge and belief, the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions."

## Is Time Running Out for You to Get CE?

Could it be time is running out for those of you who need the 7-hour USPAP Update taught by an AQB-Certified Instructor in order to renew your appraiser license and/or certification on or before June 30?

Given there are only three AQB-Certified Instructors in Arkansas and teaching USPAP does not occupy the majority of their time, you may find limited opportunities to complete this requirement economically in time to keep your license active.

In case you find the 7-hour USPAP Update in short supply, the Board will accept the 15-hour

USPAP course (with or without an exam) as a substitute for meeting the 7-hour requirement for renewal. However, the Board does NOT accept USPAP education in any form (7 or 15 hours) by way of distance learning.

Appraisers must have accumulated 28 hours of continuing education in order to renew. **WARNING:** Licenses simply will not be renewed for those who fail to complete a 7- or 15-hour USPAP course taught by an AQB-Certified Instructor before June 30.

This renewal cycle does not affect State Registered appraisers.

## FYI —

The Management section of the ETHICS RULE in USPAP requires an appraiser to disclose "...fees, commissions, or things of value..." paid in connection with the procurement of an assignment.

Some appraisers have asked if this means the amount of a referral fee must be disclosed or if it is sufficient to disclose simply that a fee was paid.

The Appraisal Standards Board (ASB) has said disclosing that a payment was made is sufficient to satisfy the requirement. However, this is a minimum requirement and does not prohibit full disclosure of the fee amount.

ARKANSAS



**APPRAISER LICENSING & CERTIFICATION BOARD**

101 E. Capitol, Suite 430  
Little Rock, Arkansas 72201

PRSRT STD  
U.S. POSTAGE  
PAID  
LITTLE ROCK, AR  
PERMIT NO. 1069